RICHARD RUSSELL'S **DOW THEORY LETTERS, INC.**

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MARCH 24, 1982 **LETTER 831**

Mar. 12, DJIA 797.37; PTI 1326; A-D Ratio –26.81
Mar. 19, DJIA 805.65; PTI 1325; A-D Ratio –26.32

THE MARKET: The chart on page 1 contains no mysteries. According to Dow Theory, we watch the closing prices of the D-J Industrial and Transportation Averages along with volume implications. From these three sets of factors we draw conclusions (hopefully, informed conclusions) regarding the trend of the market.

Since April of last year the trend of the stock market has been unmistakably down. We have witnessed a long series of declining peaks and lower lows, classic indications of a declining trend. On July 2, 1981, the Dow Theory issued its sternest warning—on that date a primary bear market was signaled. Since then, with few interruptions, the direction of stocks and the economy has been down. From the Dow Theory standpoint there has been little guessing, little confusion; the Averages have spun out their story and despite hopes and wishes from the (still large) bullish camp, the bear has been in full command.

Bull markets have a habit of staying over-bought for many months on end. And unfortunately, bear markets have a way of staying over-sold for many months at a time. The relentlessness of this bear market can be understood when we realize that the advance-decline ratio (a proxy for all NYSE issues) has been down for 13 out of the past 15 weeks, an incredible show of persistent weakness.

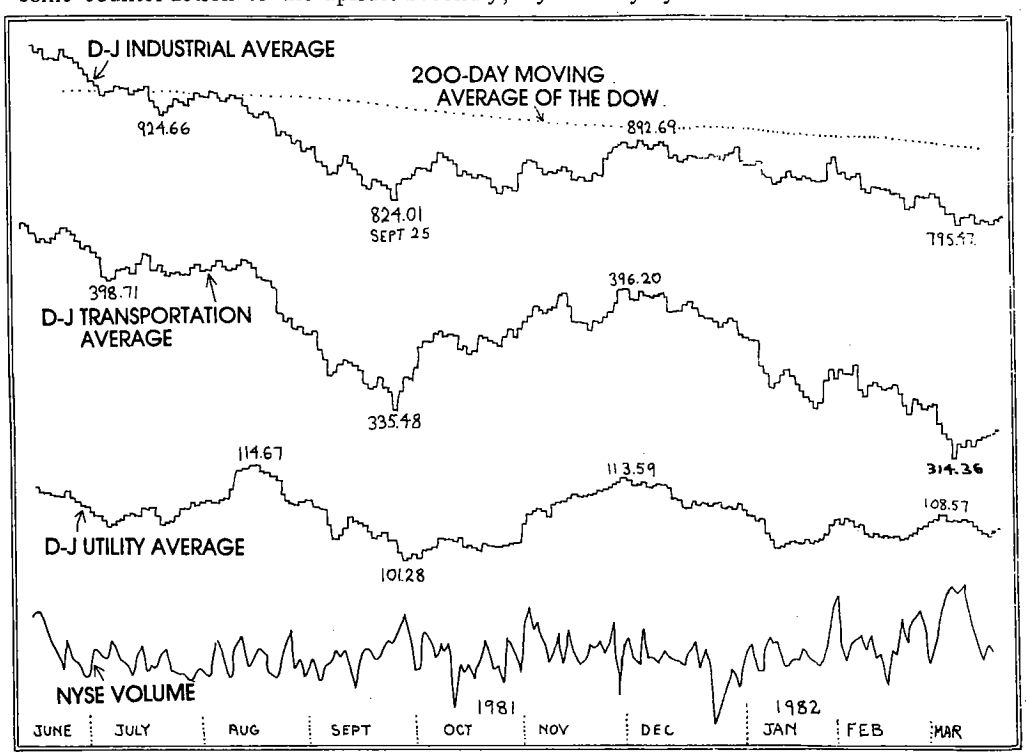
On March 8 the two Averages recorded 1982 lows, Industrials at 795.47, Transports at 314.36. Since then we have seen consolidation action with one good rally day (Mar. 18). Two factors cause me to pay attention to the market action since the March 8 lows. First, the 12 out of 15 down-weeks in the A-D ratio. This is one of the longest down-series on record, and it calls for some counter-action to the upside. Secondly, my 233-day cycle hit its low in mid-March, and the cycle now points up into July. Both of these factors militate in favor of at least some attempt to rally here.

FRONT PAGE COMMENT: The Russian "empire" is in trouble. Inefficiencies, bureaucratic stupidities, a monster military build-up, repeated crop failures and a steady drain from satelites (plus military expenses in Afghanistan) have hit the Soviet economy hard. In fact, many (including Richard Russell) believe that the only thing holding the Soviets up is—Western loans.

> GENEVA, Switzerland (AP) — Communist Eastern Europe's net indebtedness to the West rose 11 percent to a record $80.4 billion last year, with the sharpest increase posted by the Soviet Union, a U.N. study estimated yesterday.
>
> It predicted a further squeeze on Eastern European living standards.
>
> Crisis-stricken Poland maintained the largest net debt with an estimated $22.4 billion, up from $22.1 billion listed for 1980, the U.N. Economic Commission for Europe said. The Soviet Union's debt to the West was estimated to have increased 44 percent from $13.5 billion to $19.5 billion.

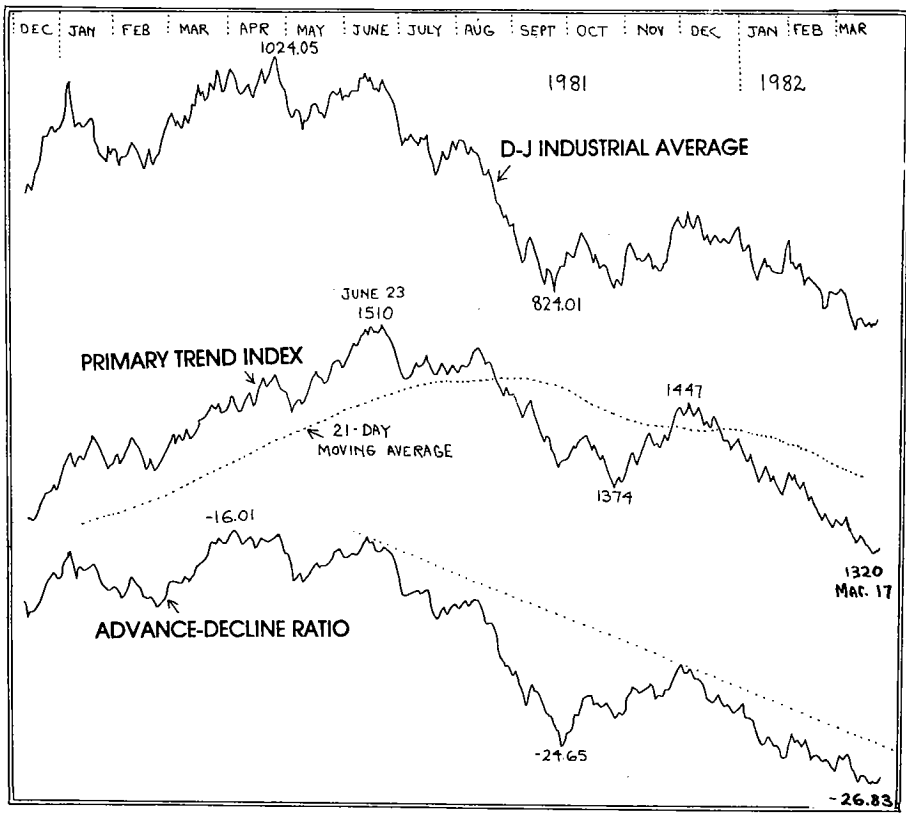
Why not declare economic war on Russia? Why not invoke bankruptcy on Poland and other busted Soviet satelites? Simple, we hold them up because our big banks don't want to face the losses brought on by their idiotic bad loans.

For years Western leaders have boasted that our economy was superior to the Communist economies. But when the chips are down, what happens? Western bankers and gutless politicians give in—and the Red bloc continues to be "solvent" (while US taxpayers make up for communist non-payments). Is this another form of Western suicide? I can't help wondering!



Should subscribers "play" any rally that occurs in this area? My feeling is that rallies in a primary bear market are best left to professionals, and I therefore advise caution here—even at the risk of losing some "potenial profits." Nothing, and I repeat, nothing, is more difficult and deceptive than the movement which corrects the primary trend. Thus, rallies in a bear market can be violent, spectacular, and almost irresistable. But one must have a POLICY in investing, and mine has ALWAYS been to invest only in harmony with the primary direction of the market.

The daily chart (page 2) show the PTI in an almost straight-line decline from its December 4 high of 1447. The weakness of the market shows in the inability of the PTI to mount anything like a substantial rally during 1982.



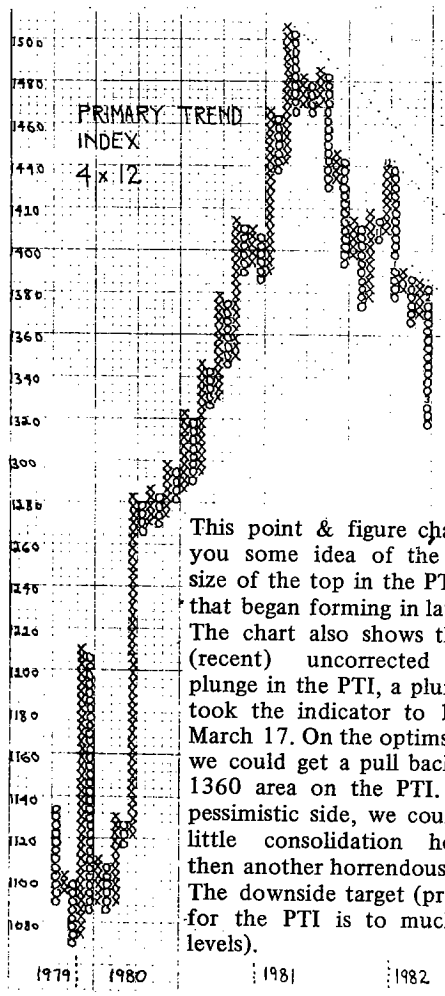
The PTI is now an amazing 80 points below its own (declining) 21-day moving average. This suggests a temporarily over-sold condition, but this is a bear market and over-solds in a bear market do not have the same meaning they have during a bull market.

The PTI has now dropped 190 points from its extreme high of 1510 recorded last June. Measured by the PTI, this primary bear market is now 9 months old—the longest decline since the 1973-74 debacle.

Meanwhile, the A-D ratio sank on March 15 to minus 26.83, its lowest level since January, 1976. The weakness in the broad spectrum of NYSE issues is reflected in the action of the A-D ratio, which has actually been leading the Dow down (as has the PTI). Incidentally, the A-D line for the 30 Dow stocks (not shown) is extremely weak, and is now well below its 1974 (yes, 1974) low. The weakness in the Dow A-D indicates selected participation on the upside and broad participation on the downside—a bearish picture.

In answer to many calls from subscribers, "Yes, last week the PTI did violate its major rising trendline, the trendline that extends (up) from the 1974 low (see last Letter). This obviously adds another bearish factor to the long-term market picture. Frequently, when a major trendline is penetrated, a rally will develop, and the rally will often pull back to the under-side of the ruptured trendline. We could see that kind of action now.

INVESTMENT POSITION: Still a primary bear market—even though my 233-day market cycle is turning up (until July). Our position remains defensive, with an optional position of 15% in long-term T-bonds and another 10% in 3-5 year T-notes. "How do I buy them," is a question I've been asked over and over again. Simple, call your broker and give him the order. My T-bill indicator (see Letter 828, page 4) is rising in favor of higher short-term rates. This means that T-bills should continue to be profitable to hold—it also means there will be monetary pressure on the stock market.



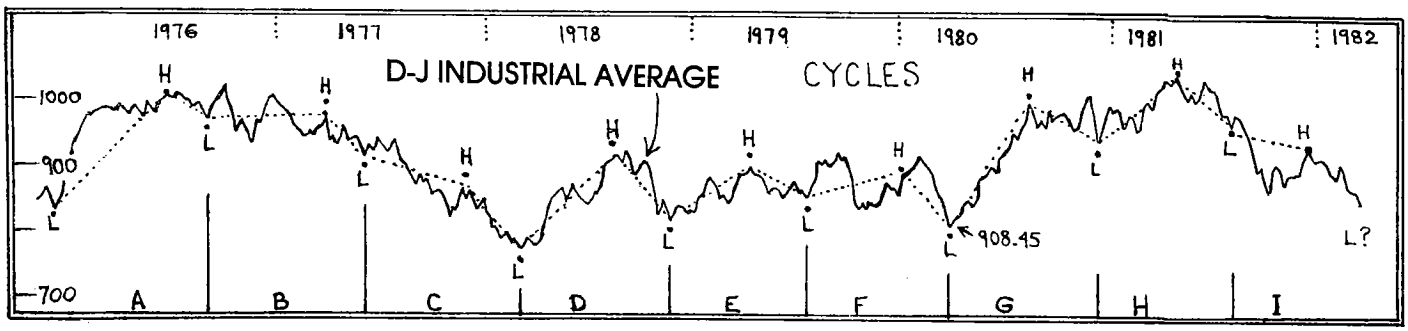
This point & figure chart gives you some idea of the massive size of the top in the PTI, a top that began forming in late-1980. The chart also shows the great (recent) uncorrected plunge in the PTI, a plunge that took the indicator to 1320 on March 17. On the optimstic side, we could get a pull back to the 1360 area on the PTI. On the pessimistic side, we could get a little consolidation here—and then another horrendous plunge. The downside target (projection for the PTI is to much lower levels).

CYCLE: As older subscribers know, I follow a single cycle in the stock market. This is the 233-day cycle, made up of 144-day rising segment and a declining 89-day segment. At the end of each segment I adjust my "cycle ruler" (there may be a disparity of a few weeks or so in each cycle, but over all the 233-day cycle has worked well over the past six years).

The record of the 233-day cycle is shown on the page 3 chart. It should be remembered that the cycle has an influence on the direction of stocks and the intensity of the moves. But that's all the cycle does exert—an influence. It does not determine absolute direction.

For instance, during a severe bear market an up-segment of the cycle may hit, but that up-segment may only soften the severity of the decline, rather than turn the bear market decline into an actual advance. Again, a correction may come during a bull market, and that correction may dove-tail with the down-segment of the cycle. If this occurs, the bull correction will probably be much more severe than otherwise.

If you study this chart you will note that there are very few periods since 1976 when the market's actual direction varied from the cycle segments. In cycle B the Dow moved sideways through a rising segment. In cycle C the Dow declined during the rising cycle. In cycle F the market turned erratic during the rising



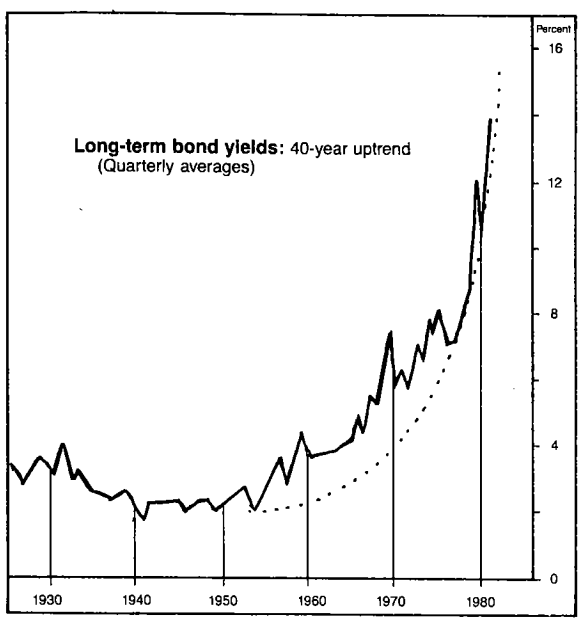
segment. And in cycle I (the most recent cycle) the Dow declined during the bullish segment of the cycle (this, of course, implied outstanding weakness). The subsequent bearish segment of the I cycle took the Dow back to 1980 levels.

The new H cycle is due to begin around the middle of March (give or take a few weeks). Thus, the bull segment of the new H cycle could begin at any time now. This should provide cyclical strength to the market for the first time in 1982.

On the basis of my cycle studies, I have been thinking that a major BUY area could develop sometime during the fall of 1982. The reason I say that is that the bullish segment of the new H cycle should take hold at almost any time. With the market being rather over-sold now, the bullish influence of the H cycle could set off a corrective rally, a rally that might take the market to a peak during late-summer.

Then the bearish segment of the H cycle would take hold. The bearish segment could take the market to a smashing and perhaps final low in the fall, say in the September to December period. This is all very theoretical, of course, but I believe it is an interesting blue print–well worth considering for timing purposes.

SPIKE: This study is critically important. Yes, I know it flies in the face of almost everything you have read. I base this study on my knowledge of markets, and in that I sincerely believe I have a large advantage over most other analysts in the money market (mind you, I'm not boasting, I'm just saying that 95% of the analysts on Wall Street don't possess an intimate knowledge of market action).



In Letter 830 I discussed the exponential rise in chart patterns, a rise often referred to as the parabolic curve. This is the advance (starting from a sluggish, sideways-moving base) which gradually gathers momentum, increasing faster and faster until finally it assumes an almost vertical angle. Once in the vertical, we can say that the "very best of the best is being discounted." Following the final vertical spike, the parabola goes into a CRASH. The crash reverses all the forces which brought on the parabolic curve, and a severe bear market in the item is underway.

This chart (courtesy of Commodities magazine) shows the path of long-term bond yields over a 40 year period. We are now in the "spike" or vertical ascent area. We have been in this area since 1975.

How much longer will the spike remain in force, and will it go higher? My answer to the first question is that I don't know, My answer to the second question is "Yes, I think it will go higher." Why do I think that? here is my reasoning.

First, as I have written so many times before, politicians will never do anything about a painful situation until that situation explodes in their face. Right now the Federal deficits are bad, very bad–but they are not climactic. This year (1982) could see the climax–or it could be held off until next year. The climax will come when interest rates (brought on by horrendous deficits) are so high that the economy is thrown into depression. Or the climax could come with a total collapse in the bond market. At any rate, the parabolic pattern in bond yields tells me that the *final* segment of the interest spike *lies ahead*. The exact reason for this we'll learn–in due time.

Another reason why I think interest rates are ultimately going higher is this: once a parabolic curve hits its peak, it immediately crashes. But the current interest rate parabolic curve refuses to crash–in fact, interest rates are holding near their highs. This suggests to me that rates are simply CONSOLIDATING in this area preparatory to a new thrust to or above the old highs. I think we'll see that thrust before 1983 is over.

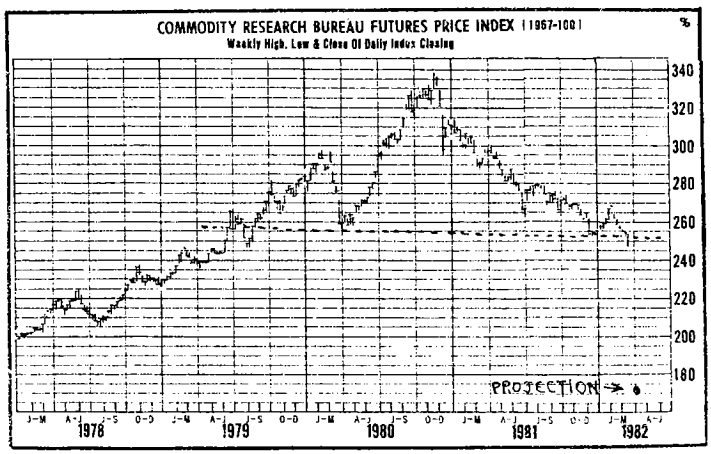
The question is asked, "When do we buy long-term Treasury bonds?" My answer is when I feel that the final thrust of the spike is at or near completion. When that happens, we'll ride treasuries up (they'll explode in price as yields crash) in what could be one of the most profitable moves in Wall Street history. Why will it be so profitable? Because we'll be invested in a safe vehicle that will not only be high-yielding but also surging up in price. Yes, the bonds will be rocketing in price in inverse proportion to the crash of the parabolic curve in yields. What will it take to participate in this once-in-a-lifetime bond move? Patience and capital. I recommend that you build up both.

The corporate bond calendar has built up to four times its January level, and my T-bill barometer points to higher yields.

Meanwhile, corporate illiquidity and massive Federal deficits present horrendous problems for the money markets. The long-predicted "downturn in interest rates" remains as elusive as ever.

COMMODITIES: Commodities represent the staff of life and the staff of industry, from silver to soy beans to cattle to cotton. The famous CRB Futures Index is the most widely followed commodity index in the nation. If you doubted my recent statements about DEFLATION, please study this chart. Note the giant head-and-shoulders top in the CRB Index, and note that the support at 255 has now been shattered. This allows for a projection to at least the 180 area on the downside.

The March issue of Commodities magazine lists 38 professionally managed commodity funds. On their record from September to January 31, 1982, 28 of the 38 funds lost money. But it's not just a case of hedgers and speculators losing money. When commodities go down, the farmers are in a vice. Some commodities, such as soy beans are now below the cost of production (when land cost and value are considered). It's depression on the farms, and it's going to get worse.



QUESTIONS: It's question and answer time, and these Q's and A's are taken from dozens and dozens of letters received here over the past few months.

Question: Russell, according to Dow Theory, how much of a penetration is required by the Averages to produce a valid trend signal?

Answer: Any penetration at all is considered valid under Dow Theory. But only closing prices of the Averages are used. In other words, if the closing low for the Dow was 901.57 and the next close is 901.56 that is considered a valid penetration.

The reason closing values are used is that all kinds of manipulation can conceivably occur during the course of a trading day. But many day traders close out their positions at the end of each day, and the closing prices thus reflect the final situation—minus all the day traders. It's the closing price that counts, and I often feel that I'd be better off just knowing the closing price of the Averages without experiencing all the nonsense that goes on intra-day.

Question: What do you think of IRA's?

Answer: IRA's, Keough's, pension plans; they're all great. Any time you can defer income and compound those funds while those funds are deferred, you've got a good deal. Unfortunately, when this IRA or pension money comes back to you it is taxable, so in the end the Government takes its bite. But it's a good deal in that you can compound your funds prior to the ultimate taxation. Insurance, of course, has the advantage of being non-taxable when paid to your beneficiary.

As to where to invest IRA and pension money, I think the handiest place is with a money market fund but a fund that is part of a group of no-load funds. This will give you switch capabilities, so that when the next primary bull market starts, you can switch into equities and thereby be invested in harmony with the primary trend.

Question: I know you like the concept of no-load funds with switch capabilities (i.e., switching into money market funds) What are some funds that will switch?

Answer: A few I like (write for brochures) are *Fidelity Group,* 82 Devonshire St., Boston, MA 02109, *Neuberger Berman Group (Guardian Fund, Partners Fund),* 522 Fifth Ave., NYC 10036, *Rowe Price Funds (Growth Stock Fund, New Era Fund, New Horizons)* 100 E. Pratt St., Baltimore, MD 21202, *Vanguard Group (*14 funds), Drummer's lane, Valley Forge, PA 19482.

Question: Would you list some money market funds (holding Government securities only) that you like.

Answer: There are roughly 30 money market funds listed as investing in Government securities only. Most of these funds hold Government agency and quasi-Agency paper. To my knowledge, only three funds hold exclusively US Government short-term paper. These are Capital Preservation Funds I and II (744 Page Mill Road, Palo Alto, CA 94304) and the Merrill Lynch Government Fund, 125 High St., Boston, Mass 12110.

Question: Should I be accumulating gold and silver here?

Answer: No, I never advocate averaging down. I advocate averaging up in an APPRECIATING asset, not averaging down in a depreciating asset. We don't guess at an approaching bottom. But we might guess that the last low, following a RALLY, was the bottom.

Question: How low do you think the stock market is going to go on this bear market?

Answer: Except for patriotic considerations, I don't give a damn. Of course, I don't know either. People are terrified of uncertainty, so they will clutch any absolute answer rather than listen to an "I don't know." This allows any number of fools to announce projected lows for the market. We see the same thing in Government when a PR man like Treasury Secretary Regan makes wrong guess after wrong guess regarding interest rates. The fact is that nobody knows where the bottom of this bear market in stocks is. That's the terrifying uncertainty that veteran investors learn to live with.

And that's the reason that seasoned investors don't bother with forecasting a bottom for the Dow. What they do concentrate on is IDENTIFYING a bottom when it appears.

Question: The Dow is yielding almost 7%, more than half the stocks on the NYSE are now selling below book value. The PE for the Dow is about 7. Aren't these all indications of a major bear market bottom?

Answer: They are indications that stocks are attractive by historical valuation standards. But stocks looked dirt cheap in 1931, prior to one of the worst percentage crashes in stock market history, the collapse to the July, 1932 bottom. In this business, indications are not enough. It's a question of "How hot is hot, or how cold is cold?"

In every primary bear market there is usually one major FOOLER and this bear market will be no exception. My guess about the current fooler is that it could be the tenuous state of corporate liquidity, or then again it could be a possible final run-up in interest rates to a spearpoint top. The weak link in today's market is the debt. Debt underlies the liquidity problem and debt is a part of the interest rate problem. If, for example, long-term bonds collapsed anew and yields on long-term bonds rose to 16-18%, stocks would look expensive in comparison with bonds.

Therefore, we let the market tell us when the bear is exhausted.

Question: You have mentioned the three phases of a bear market. What phase are we in now?

Answer: The phases (in contrast with the price movement) are psychological in nature. In the first phase stocks eliminate the froth and bubble of the previous bull market top. This occurred during 1981. In the second phase stocks go down as they reflect deteriorating business conditions and declining corporate profits. We are in the second phase of the bear market now.

The third phase of a bear market is the liquidation phase. Here stocks are thrown over because their owners need cash. This is the "abandonment of hopes" phase, and it is accompanied by black pessimism and a widespread belief that the "market as we know it" will never come back." I don't think we've arrived at the third phase yet (although I believe gold is in its third phase).

Currently, bottom picking and bottom predicting is very popular. This is not the kind of thinking I would expect during the third and final phase of a bear market (during the third phase the thinking is that "we'll never see the bottom, this is the end; the bottom, if it ever comes, will be a year away and half of today's prices."

Question: I note that both President Reagan and Treasury Secretary Regan are saying that there will be no depression. What do you think of this?

Answer: I have been saying ever since President Reagan's election that he should tell the people the truth. The truth is that neither Reagan nor Regan nor anyone else knows what the economy is going to be doing this summer or any other time. The thing that ruined Hoover was his constant promise that "prosperity is just around the corner." As the depression dragged on, Hoover's words drove people mad. I hope Reagan does not make the same stupid mistake.

The markets are telling me that it's going to be a very bad, long hot summer in '82. There is going to be a stampede for liquidity. There are going to be bankruptices and hard times. None of this is Reagan's fault, but he should be pointing this out to the people, warning them, explaining the situation to them. The people know that something is drastically wrong. They want leadership, not false hopes.

Question: With oil prices tumbling, couldn't this be a big plus for the economy? After all, cheaper oil is going to help an awful lot of energy users such as the utilities.

Answer: There's good news and bad news here. Obviously, many industries are going to welcome cheaper fuel. That's the plus. But a tremendous amount of money has been loaned out in the basis of fat oil company profits and high oil prices. In other words, the loans were made with oil as collateral. With the collateral collapsing in price, there's going to be trouble. A second problem is that OPEC nations bought a huge amount of US debt (some say up to 13%). With these countries now in a cash squeeze (because of lower oil shipments and lower oil prices), they could become SELLERS of US debt. That would tend to pressure the money markets and send interest rates UP.

Question: If the economy slumps into depression or even severe recession, won't the Fed open the flood-gates by buying up Treasury debt and thereby creating new paper money?

Answer: This is what EVERYBODY EXPECTS. But Volcker and Co. have, so far, not done what everybody expects. Thus, we'll have to wait and see. One thing I watch is the raw money or Total Reserve Bank Credit (figures in Barron's). On December 9, 1982 this was $153.3 billion. On February 17 it was $149.2 billion.

Question: Russell, I read about the "coming depression" everywhere, in Newsweek, in Time, in my local newspaper. With everyone ready for "the disaster," can't we take a contrary opinion stance and say that this widely-advertised depression will never materialize?

Answer: Everyone is now sophisticated, everyone, now knows about contrary opinion. Contrary opinion is now in the public domain. For this reason I would be most careful about being too contrary in the period ahead.

The overriding fact is that we are in a primary bear market and that bear market has not yet ended. Thus, the "contrary opinion" may be that what people are afraid of–will happen. Remember, people were bearish during 1930 and 1931 and the market and the economy continued to slide into 1932 (and the depression really lasted until 1942). Overall, I would take a neutral stance on the economy here; let's allow the market (not the so-called contrarians) to tell us the story.

NOTES & QUOTES: All during 1981 I stressed that the dollar was fated to be king. More recently I told subscribers that we are entering a period which could only be described as "a picnic for savers." Real interest rates are now as high as at any time since the turn of the century. This little tabulation (from Manufacturers Hanover) shows just how attractive real interest rates (current interest rates minus the inflation rate) are in the US today.

REAL INTEREST RATE DIFFERENTIALS

Country	3-month Eurocurrency Rate (as of 2/8/82)	—	Percent Change in CPI (Dec 81/Dec 80)	=	Real Interest Rate
United States	15.9		8.9		7.0
United Kingdom	14.6		12.1		2.5
France	15.8		14.0		1.8
Japan	6.6		5.0		1.6
Switzerland	8.4		6.6		1.8
West Germany	10.3		6.2		4.1
Canada	15.4		12.2		3.2

NEXT MAILING: APRIL 7, 1982

The Recession Is Just About Over

The recession has just about run its course. From early indications, FORTUNE estimates that the decline in GNP this quarter will be a bit smaller than the 4.7% rate at the end of 1981. During the next couple of months, moreover, weakness in capital goods and homebuilding will start to be offset by advances elsewhere, and the recovery will be under way. This has

down was 2½ times as big as had been assumed—at a $12-billion rate instead of about $5 billion. The GNP would have looked better—that is, shown only a 4.1% decline—without the extra inventory liquidation. But it is pure good news that more of the correction is over with than was thought. Inventory-sales ratios

tion to expand outlays, if only modestly at first, and indeed they did just that in January. Total personal-consumption expenditures increased at a 9% annual rate, far outpacing consumer prices. (The 3.6% rate for the CPI was, to be sure, flukishly low.) Increased auto sales and the usual rise in outlays for services accounted for much of the

2 WESTERN EDITION 40¢

Talk of a depression called 'far-fetched'

Declining oil prices, easing inflation are 'bullish' signs

By David R. Francis
Business editor of The Christian Science Monitor

Boston

There's been much talk lately about the prospect of a depression in the United
with unemployment perhaps rising to 20 percent. But one of the world's top
s on the business cycle, Dr. Geoffrey Moore, says: "I don't really see that. If
re the case, we would have already seen the economy in worse shape than we
en to date."
York's Citibank agrees. States the bank in its Economic Week letter: ". . .the
an imminent depression is far-fetched."
t, Dr. Moore expects a recovery in the US econ
ptions already under way in Japan.
Citibank has

Ruff: No Depression; But These Are Good Old Days

By HERBERT LOCK
SAN DIEGO DAILY TRANSCRIPT

Kicking off his annual National Convention and Performance Center, Howard J. Ruff followers yesterday the bottom approaching the recession and advised them stocking up on various financial goodies.

Bulls And Bears Agree We've Hit Bottom; Dispute Duration

By DONALD C. BAUDER
Financial Editor, The San Diego Union

According to tradition, the bull and the bear should be locked in eternal combat.

Don't look now, but they're neck-

profession, the optimists and the pessimists are beginning to say just about the same thing. The optimists beam that the economy may be bottoming now and should certainly turn upward by summer. The pessimists grouse that the economy is likely to grovel along the bottom for summer at least.

That, folks, is a consensus. But the economists are leaving themselves much latitude. In this month's issue of Blue Chip Economic Indicators, the consensus of 40 economists is that the upturn will come in March, April, May or June. The votes are

I'm not normally a worrier, but it makes me uncomfortable when everybody and his brother tells me that "the economy has hit bottom and is turning up—and what's more, there's no chance in the world of a depression." Frankly, I'd feel a lot better if everybody including Treasury Secretary Regan was worried as hell. At any rate, I made this little montage from clippings all garnered over just two days. Read 'em; now.....don't you feel better?

* *

From our "What Else Is New" Dept: According to the Commerce Department, US exports of all kinds to Russia will total $4.2 billion this year vs. $2.4 billion in 1981.

Bad Debt Dept: Joining Poland in the "broke but negotiating" category, Communist Romania is now trying to renegotiate at least $1 billion in private debt. Best bets for the next trouble as far as Communist debt to the West: Czechoslovakia and East Germany. Question: What happens to a banker when he OK's a billion dollar loan that goes belly up? Answer: as far as I know—nothing!

* *

Remember a few months ago when everybody was screaming about the Federal debt being one trillion dollars? Well, here are the latest figures—and lo, we're up another $53 billion. That's all right, the interest on the new $53 billion is only $6.3 billion a year!

Government Finances

WASHINGTON (AP) — Here are figures on government spending and debt (last six digits are omitted). The government's fiscal year runs from Oct. 1 through Sept. 30.

Total public debt March 4	1,053,552
Interest on public debt Jan	7,994
Interest fiscal year thru Jan	39,347
Projected deficit fiscal 1982	98,578
Actual deficit fiscal 1981	57,932
Receipts fiscal year thru Jan	201,257
Receipts period last year	178,149
Outlays fiscal year thru Jan	240,134
Outlays period last year	218,134
Gold for January	11,151

THANKS: I want to take a few paragraphs to thank all you subscribers who have written kind letters over the past few weeks. It's always a strain going against (and writing against) the prevailing consensus opinion, something I've done (via bear market warnings) for most of the past year. But there are rewards. I guess the finest compliment is that fact that after 24 years in business, our subscription list is currently within a few percentage points of its highest level ever—even as this recession-depression deepens.

I haven't been able to answer all letters received here, but I do read each one carefully. The truth is that I get a lot more out of this business than just money. I know what it is to lose part or all of your life's savings during a bear market, and I know what it is to be spared those losses. It is a great satisfaction to me to realize that my subscribers (who have paid their hard-earned money for these reports) have kept their assets whole in this gathering financial disaster.

All knowledge STARTS with humility, and I am a firm believer in the words of the Master, "Ask and it shall be given to you." In this business we ask the market, we ask our experience, we ask our intuition, and we ask the powers above. There are no overwhelming triumphs in stock market analysis, only right moves and wrong moves. This is a tough business, but a rewarding one, and again I thank all my loyal subscribers.

GOLD: One interesting item in the gold picture—on the week ending March 12 ASA sold at 29% BELOW net assets, often a sign of at least a temporary bottom in gold (although this time it could be due to a weak rand). At any rate, gold, after hitting a low of 312.50, has been bouncing between that number and the low 320's. Meanwhile, many "experts" are now openly predicting 150 and 250 gold (which, of course, constitutes a plus in the gold picture).

On the minus side, my 13-week rate of change (momentum) for gold has dropped to 77, lowest level in a year (momentum seldom goes lower). But it's the moving averages for gold that have kept us on the right side of gold, and the latest figures continue to tell us to stay out. The 50-week moving average for gold this week is 422; the 13-week MA is 364; the 5-week MA is 337. The first hint of strength under these studies would be 340 dollar gold. So, we sit tight and wait (patiently, if possible).

LATE NOTES: Week ending March 19 was fractionally up for the A-D Ratio, making it 3 out of the last 15 weeks up for this broad measurement. If strength doesn't come into this market by mid-April, the picture is going to appear increasingly ominous. The fact is that there haven't been three consecutive "good" days on Wall St. during 1982 so far. The PTI has been inching up on the "rally" since Mar.17, but inching up is the word for it—as you can see by the p.2 chart.

LATE (SICK) NEWS FLASH:

WASHINGTON—The ultimate price tag for a major part of the Reagan Administration's defense buildup is expected to be $114.5 billion higher than estimated three months ago, the Pentagon reported Friday.